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WORKING CAPITAL FUND FOR THE BIENNIUM 1996-1997

Proposals by the Director-General

Summary

On the basis of experience gathered in the biennium 1994-1995, makes proposals on the level and authorized purposes of the Working Capital Fund for the biennium 1996-1997.

Introduction

1. In accordance with financial regulation 5.4(a), the Programme and Budget Committee should recommend to the Industrial Development Board the amount and purposes of the Working Capital Fund.

2. Financial regulation 5.4(b) stipulates that "the sources of moneys for the Fund shall be advances from Members, which shall be made in the proportion of the scale of assessments established by the Conference for the contributions of Members to the regular budget. The advances shall be carried to the credit of the respective Members who made the advances."

I. BIENNIUM 1994-1995

3. In its decision GC.5/Dec.16, the General Conference decided that the level of the Working Capital Fund should be $9 million and that the authorized purposes of the Fund for the 1994-1995 biennium should remain the same as those for the 1992-1993 biennium, i.e. as stipulated in Conference decision GC.2/Dec.27, paragraph (b). Accordingly, the Conference authorized the Director-General to advance from the Fund during the 1994-1995 biennium:

"(i) Such sums as might be necessary to finance budgetary appropriations pending the receipt of contributions; sums so advanced should be reimbursed as soon as receipts from contributions were available for that purpose;

"(ii) Such sums as might be necessary to finance unforeseen and extraordinary expenses, excluding expenditures intended to compensate for any losses caused by fluctuation in exchange rates; for sums so advanced, the Director-General should make provision in the budget estimates for reimbursing the Working Capital Fund."

4. As stated in financial regulation 5.5(d), advances to the Working Capital Fund shall be assessed and paid in United States dollars.

5. As of 31 December 1994, paid advances from Member States to the Working Capital Fund totalled $8,812,515. On 1 January 1994, the cash balance in the Working Capital Fund amounted to $8,896,200. During 1994, cash balances in the general fund remained adequate to meet shortfalls in the collection of assessed contributions, mainly as a result of the decision of the General Conference to suspend temporarily financial regulations 4.2(b) and 4.2(c) with respect to the 1988-1989 and 1990-1991 bienniums to allow UNIDO

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to retain the unutilized balance of the appropriations (cf. decisions GC.4/Dec.15, para. (d) and GC.5/Dec.14, para. (e)). There was thus no need to make withdrawals from the Working Capital Fund during 1994. Taking into account other adjustments in 1994 related to changes in rates of assessment for some Member States and a refund of its Working Capital Fund advance to Canada, the cash balance in the Fund as of 31 December 1994 remained $8,812,515.

6. Present cash flow estimates indicate that withdrawals to cover shortfalls in the collection of assessed contributions are unlikely to occur before the end of 1995.

II. PROPOSALS FOR THE BIENNIUM 1996-1997

7. It is proposed that the current level of the Working Capital Fund of $9 million and the authorized purposes of the Fund for 1996-1997 continue to be those established by the Conference in its decision GC.2/Dec.27, paragraph (b).

8. On the basis of experience gathered since the 1986-1987 biennium, the Director-General assumes that most Member States will continue to meet their obligations and that others will endeavour to improve their payments of outstanding contributions. However, the Director-General continues to be concerned about the impact on the programme of work caused by unforeseen disruptions in the pattern of payments of assessed contributions and the consequent need to finance such requirements from the Working Capital Fund.

III. ACTION REQUIRED BY THE COMMITTEE

9. The Committee may wish to recommend to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Recommends to the General Conference that the level of the Working Capital Fund and the authorized purposes of the Fund for the 1996-1997 biennium remain the same as for the 1994-1995 biennium, i.e. as stipulated in decision GC.2/Dec.27, paragraph (b);

"(b) Urges Member States to pay their outstanding assessed contributions as soon as possible to minimize the need to withdraw sums to meet shortfalls in the payment of assessed contributions."